

**CARIBBEAN DEVELOPMENT BANK**

**TWO HUNDRED AND SIXTY-FIRST MEETING OF THE BOARD OF DIRECTORS**

**TO BE HELD IN GUYANA**

**MAY 26, 2014**

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**COUNTRY STRATEGY PAPER**  
**GRENADA (2014-18)**

1. The attached Country Strategy Paper (CSP) outlines the assistance strategy of the Caribbean Development Bank (CDB) for Grenada over the period 2014-18. In preparing the CSP, discussions were held with public and private sector officials in Grenada, as well as the country's development partners.
2. The Government of Grenada (GOGR) has embarked on a comprehensive programme to achieve fiscal sustainability and restore growth. The programme is supported by Grenada's development partners, and includes strong fiscal adjustment measures and reforms to enhance public sector efficiency and facilitate private sector development. CDB's strategy is intended to support this process and complement the support of other development partners.
3. The major objectives of CDB's strategy for Grenada are to:
  - (a) assist GOGR in achieving fiscal stability;
  - (b) support sustainable growth by improving quality/access to education and training, upgrading infrastructure, and by reforms aimed at promoting private sector development;
  - (c) promote social development by supporting efforts to reduce poverty through human resource development; advancement in gender equity; institutional strengthening of the Ministry of Education and Human Resource Development; direct support to vulnerable communities through the Basic Needs Trust Fund and support to medium, small and micro enterprises by the Caribbean Technological and Consultancy Services; and
  - (d) enhance sustainable development through energy efficiency and renewable energy development activities, environmental protection and the support of disaster risk reduction and management policies.
4. The proposed strategy is developed within the framework of the development challenges confronting the country, the Government's Enhanced Transformation and Poverty Reduction Strategy and the interventions of other development partners in the Region.

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**CARIBBEAN DEVELOPMENT BANK**

**STAFF REPORT**

**COUNTRY STRATEGY PAPER  
GRENADA (2014-18)**

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**MAY 2014**

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## **CURRENCY EQUIVALENT**

*(Dollars (\$) throughout refer to Eastern Caribbean dollars (XCD) unless otherwise stated)*

*XCD 1 = USD 0.37*

## **ABBREVIATIONS**

%	-	per cent
BMCs	-	Borrowing Member Countries
BMZ	-	Federal Ministry for Economic Cooperation and Development
BNTF	-	Basic Needs Trust Fund
CARTAC	-	Caribbean Regional Technical Assistance Centre
CDB	-	Caribbean Development Bank
CG	-	Central Government
CGA	-	Country Gender Assessment
CPA	-	Country Poverty Assessment
CSP	-	Country Strategy Paper
CSO	-	Central Statistical Office
CTCS	-	Caribbean Technological Consultancy Services
DRM	-	Disaster Risk Management
DRR	-	Disaster Risk Reduction
DFATD	-	Department of Foreign Affairs, Trade and Development (Canada)
ECCB	-	Eastern Caribbean Central Bank
ECF	-	Extended Credit Facility
EE	-	Energy Efficiency
EU	-	European Union
FDI	-	Foreign Direct Investment
GDB	-	Grenada Development Bank
GDP	-	Gross Domestic Product
GEPAP	-	Gender Equality Policy and Action Plan
GOCR	-	Government of Grenada
GPRS	-	Growth and Poverty Reduction Strategy
GTZ	-	Deutsche Gesellschaft für TechnischeZusammenarbeit GmbH
ICTs	-	Information and Communication Technologies
ICOR	-	Incremental Capital Output Ratio
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
M&E	-	Monitoring and Evaluation
mn	-	million
MOE	-	Ministry of Education
MSMEs	-	Micro, Small and Medium-sized Enterprises
NPDP	-	National Physical Development Plan
NSDP	-	National Strategic Development Plan
NTA	-	National Training Agency
OECS	-	Organisation of Eastern Caribbean States
OESS	-	Organisation of Eastern Caribbean States Education Sector Strategy
OFID	-	OPEC Fund for International Development
PBO	-	Policy-Based Operation
RE	-	Renewable Energy
RMF	-	Results Monitoring Framework
SEED	-	Support for Education Empowerment and Development
SIDS	-	Small Island Developing States
SMEs	-	Small and Medium-sized Enterprises

SPEED	-	Strategic Plan for Educational Enhancement and Development
SSNP	-	Social Safety Net Policy
SSNPF	-	Social Safety Net Policy Framework
TA	-	Technical Assistance
TFP	-	Total Factor Productivity
TVET	-	Technical and Vocational Education and Training
WB	-	World Bank

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**COUNTRY DATA: GRENADA**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
PER CAPITA GDP (current market prices; \$)	18,858	18,624	19,909	20,493	21,326
<b>GROSS DOMESTIC PRODUCT (GDP)</b>					
GDP at Current Market Prices (\$mn)	2,082.4	2,081.7	2,102.3	2,164.1	2,252.0
Demand Components:					
Consumption Expenditure	2,053.3	2,152.2	2,221.9	2,321.9	2,347.9
Gross Domestic Investment	498.2	458.2	418.6	353.0	434.2
Exports of goods and non-factor services	505.5	496.2	529.7	557.5	560.4
Imports of goods and non-factors erVICES	974.7	1,024.8	1,067.8	1,068.4	1,090.5
Gross domestic savings ratio (%)	1.4	(3.4)	(5.7)	(7.3)	(4.3)
<b>Sectoral distribution of current GDP (%)</b>					
Agriculture & Fishing	5.3	5.2	5.3	5.6	5.7
Mining & Quarrying	0.5	0.4	0.3	0.2	0.2
Manufacturing	3.8	4.0	3.9	3.6	3.6
Utilities	4.4	4.5	4.4	4.6	4.5
Construction	8.2	8.2	6.9	5.6	6.6
Transport & Communication	14.2	13.1	12.9	12.2	11.6
Hotels & Restaurants	5.0	4.0	4.4	4.4	4.0
Wholesale & Retail Trade	7.5	7.9	8.2	8.2	8.7
Financial & Business Services	21.0	20.9	20.6	20.7	20.2
Government Services	28.9	30.3	31.6	33.3	33.2
Other Services	3.0	3.0	2.9	3.0	2.9
Less: Imputed Service Charge	1.5	1.5	1.3	1.4	1.2
GDP at Current Factor Cost (\$mn)	1,824.9	1,797.3	1,803.9	1,868.3	1,961.1
GDP at constant 2006 Prices (\$mn)	1,654.0	1,621.1	1,623.4	1,603.6	1,647.6
Annual rate of growth in GDP (%)	(5.6)	(2.0)	0.1	(1.2)	2.7
<b>MONEY AND PRICES (\$ mn)</b>					
Consumer prices (av. annual % change)	(0.3)	3.4	3.0	2.4	0.0
Money supply (M1; annual % change)	(10.0)	3.0	(5.1)	2.6	11.9
Total domestic credit(net)	1,641.8	1,699.1	1,782.5	1,857.4	1,726.3
Private sector (net)	1668.8	1,762.2	1800.3	1803.2	1718.4
Public sector (net)	(27.0)	(63.1)	(17.8)	54.2	7.9
Non-bank financial institutions (net)	...	...	...	...	...
Estimated Tourism Expenditure (USD mn)	111.9	111.6	116.8	121.6	120.2
Current Revenues	401.8	414.9	425.7	425.3	430.2
Current Grants	16.4	17.5	0.0	0.7	0.0
Current Expenditures	416.6	408.5	420.8	458.1	443.4
Current Account Surplus/ (Deficit)	1.6	23.8	4.9	(32.1)	(13.2)
Capital Revenue and Grants	12.9	33.3	60.2	20.9	26.6
Capital Expenditure and Net Lending	117.1	107.9	131.5	108.4	134.9
Overall Surplus/ (Deficit)	(102.6)	(50.8)	(66.4)	(119.6)	(121.5)
<b>BALANCE OF PAYMENTS (USD mn)</b>					
Merchandise Exports (f.o.b)	35.3	31.1	37.2	42.8	46.5
Merchandise Imports (c.i.f)	262.9	285.6	295.3	300.3	324.2
Trade balance	(227.6)	(254.5)	(258.1)	(257.5)	(277.7)
Net Balance on services account	53.8	58.6	58.8	68.3	64.2
Income (net)	(63.0)	(39.9)	(31.8)	(34.3)	(25.7)
Transfers (net)	39.6	31.8	24.1	30.3	26.4
Current Account Balance	(197.2)	(204.0)	(207.0)	(193.2)	(212.8)
<b>TOTAL PUBLIC DEBT (USD mn)</b>					
Total public debt	623.8	646.9	831.4	884.0	905.2
Domestic debt outstanding	133.6	131.0	246.9	278.6	284.7
Long term	...	...	...	...	...
Short term	...	...	...	...	...
External debt outstanding	490.2	515.9	584.5	605.4	620.5
Debt Service	21.3	24.7	46.4	57.6	...
Amortisation	9.9	12.7	27.3	30.3	...
Interest Payments	11.4	12.0	19.1	27.3	...
External debt service as % of exports of goods and services	11.4	13.4	23.7	27.9	...
Total debt service as % of current revenue	25.3	21.0	29.4	36.6	...
<b>AVERAGE EXCHANGE RATE</b>					
Dollar(s) per US dollar	2.7	2.7	2.7	2.7	2.7

## COUNTRY DATA: GRENADA

	2009	2010	2011	2012	2013
<b>POPULATION</b>					
Mid-Year Population ('000)	110.4	111.8	105.5	105.6	105.6
Population Growth Rate (%)	0.6	1.2	(5.5)	0.0	0.0
Crude Birth Rate	...	...	...	...	...
Crude Death Rate	...	...	...	...	...
Infant Mortality Rate	...	...	...	...	...
<b>EDUCATION</b>					
Net School Enrollment Ratio (%)					
Primary	68.0	76.3	74.0	92.9	93.2
Secondary	68.2	61.3	67.0	90.2	91.4
Pupil-Teacher Ratio					
Primary	18	17	20	17	18
Secondary	16	15	15	13	14
<b>LABOUR FORCE</b>					
Unemployment Rate (%)	...	...	...	...	33.5
Male	...	...	...	...	...
Female	...	...	...	...	...
Participation Rate (%)	...	...	...	...	...
Male	...	...	...	...	...
Female	...	...	...	...	...

	1990	2000	2010	2011	2012
<b>INDICATORS OF HUMAN DEVELOPMENT</b>					
<b>HEALTH</b>					
Life Expectancy at Birth (years)	69.7	65.3	73.0	76.0	...
Male	67.0	66.4	70.0	74.0	...
Female	73.0	63.7	76.0	78.0	...
Dependency Ratio	0.87	...	49.8	50.6	49.6
Male	0.85	...	...	...	...
Female	0.88	...	...	...	...
Human Development Index	...	0.738	0.738	...	...
Households with piped water (%)	63.3	...	68.0	73.5	...
Households with access to flush toilets (%)	36.1	...	61.4	61.8	...
Households with electricity (%)	68.7	...	89.9	88.3	...

Environmental strategy or action plan (year prepared): 2007

Source(s): ECCB Research Dept.; CDB estimates.

... not available

Data as at May 5, 2014

## GENDER MARKER SUMMARY

Gender Marker	Analysis	Data	Engagement	Response	Score	Code
	1	1	0.5	1	3.5	GM <sup>1/</sup>

<sup>1/</sup> GM – Gender Mainstreamed: Project has potential to contribute significantly to gender equality. See Appendix 1 for details.



## EXECUTIVE SUMMARY

The Country Strategy Paper (CSP) defines the Caribbean Development Bank's (CDB) strategic approach in Grenada over the period 2014-18. It is aligned with the country's development and poverty reduction strategies, CDB's strategic plan, and complements efforts of other development partners. The main focus of the Strategy is to support the country's long-term goal of creating a diversified, dynamic, prosperous and stable society – generating new and higher-valued income opportunities for all its citizens. The Country Strategy responds to Grenada's development priorities to induce growth, create jobs and stabilise the fiscal situation in an inclusive and socially responsive environment and is consistent with the Bank's strategic objectives of: (i) supporting sustainable growth; and (ii) promoting good governance.

2. Grenada is a “middle income” country, with a per capita income of approximately \$21,000 in 2013. Development indicators reveal significant improvements in the standard of living over the past 40 years, as the country transitioned from an agricultural to a service-based economy, with tourism being the main source of employment and foreign exchange earnings. There is universal access to basic education, and health and gender imbalances, though not pronounced, have been improving. Notwithstanding these achievements, the country remains highly vulnerable to external shocks and is also highly dependent on foreign savings to finance its development. Economic progress over the period was also retarded by the impact of hurricanes. However, despite having a relatively high per capita income, inequality is high and poverty has risen from the impacts of Hurricanes Ivan and Emily, and the global financial crisis. Infrastructure gaps exist, resilience to climate change needs to be strengthened and citizen security concerns need to be addressed from a multi-faceted developmental perspective.

3. The key development challenges facing Grenada are: (i) achieving fiscal and debt sustainability; (ii) low productivity and competitiveness; (iii) high energy costs; (iv) gender inequality and its impacts on sustainable development outcomes; (v) the need to increase social inclusion and enhance citizen security; (vi) a high level of economic, social and environmental vulnerability; (vii) the need to boost growth and competitiveness of the private sector, especially micro, small and medium-sized enterprises (MSMEs); and (viii) strengthening resilience to climate change and disaster risk management (DRM).

4. CDB has a long-standing involvement in Grenada, with approvals over the period 1970-2013 totaling \$236.8 million (mn), which represented 5.6 per cent (%) of total approvals to its Borrowing Member Countries (BMCs). Lending has primarily supported the development of economic infrastructure. Lessons from project engagements reveal the need to: (i) strengthen project planning capability and project implementation capacity in key line ministries; and (ii) improve monitoring and evaluation (M&E) processes.

5. CDB's Country Strategy will support the Government's development objectives of accelerated growth and job creation; and fiscal and debt sustainability – areas identified as critical priorities for the country. In line with its inclusive growth framework, CDB will pursue faster growth in economic opportunities through investments in infrastructure and human resource development. It will seek to deliver access to economic opportunities through projects and programmes in education, including skills development; private sector development; and infrastructure improvement. Mainstreaming gender equality and social inclusion (GESI) and supporting GESI reforms will also improve access to basic services. The Bank will also support evidenced-based decision-making in Grenada through assistance in conducting a Country Poverty Assessment (CPA). Coordination with other development partners will remain a priority to ensure programme complementarity; consistency in terms of project design and implementation approaches; and minimal duplication.

6. An indicative programme of assistance is proposed to help the country achieve faster, more inclusive gender-responsive and environmentally sustainable development that is supported by

(ii)

macroeconomic stability and citizen security. A resource envelope of United States dollars seventy two million (USD74.1 mn), comprising a blend of USD20 mn from CDB's Special Development Funds (SDF) and USD54.1 mn from its Ordinary Capital Resources, is programmed to support the Strategy.

7. CDB will utilise a results monitoring framework (RMF) to monitor expected sector outcomes of the Strategy. This framework identifies the development objectives and matches results with the associated expected outcomes. Gender, as a cross-cutting theme, will be incorporated into the framework. A mid-term review will be undertaken in 2016 to assess progress towards meeting expected outcomes and review the resource envelope. The Strategy is designed to allow flexibility and, based on the findings of the mid-term review, adjustments could be made to the indicative programme. An end of Strategy review will also be undertaken. Monitoring will be undertaken by both the Bank and the country's authorities.

8. Several operational risks, which could affect strategy implementation and outcomes, have been identified. These risks are related to: (i) macroeconomic shocks; (ii) climate/weather-related shocks; and (iii) implementation capacity. Mitigation measures for these risks are detailed within the Country Strategy.

## 1. COUNTRY CONTEXT

### Development Trends, Challenges and Outlook

#### (a) Overview

1.01 Grenada attained political independence on February 7, 1974. The population, which stood at 105,539 (2011 Census), was comprised of 53,008 males and 52,531 females. Long-term growth of 3.4% and a strong policy emphasis on social development since independence has contributed to improvements in development indicators, as is illustrated in Table 1.1. Per capita income was estimated at approximately \$21,000 in 2013, ascribing middle-income status to Grenada.

**TABLE 1.1: SELECTED DEVELOPMENT INDICATORS**

Indicator	1975	2013
Real per capita Gross Domestic Product (GDP) (\$)	5,615	15,382
Infant Mortality Rate (per 1'000 live births)	32	11
Life Expectancy at Birth (years)	68.0	73.7
Net Primary School Enrolment Rate (%)	82	93.2
Access to Piped Water (%)	34	95

**Source:** Central Statistical Office (CSO), Grenada and the World Bank (WB)

#### (b) Social Context

1.02 Since 2001, economic performance in Grenada has stagnated, causing social conditions to deteriorate. Indicators from the last CPA,<sup>2/</sup> in addition to highlighting the rural concentration of poverty, reveal two important points: (i) poverty has increased, but coping mechanisms have improved, resulting in lower levels of indigence; and (ii) despite a fall in the Gini Coefficient, there is still significant inequality, with the most affluent 10% of the population accounting for almost one-third (29.8%) of total consumption, whilst the poorest 10% account for just 2.9% (see Table 1.2).

**TABLE 1.2: POVERTY ESTIMATES 1998 AND 2008**

Poverty Indicators	Percent of Individuals (1998)	Percent of Individuals (2008)
Indigence Rate	12.9	2.3
Poverty Head Count	32.1	37.7
Vulnerability Rate (those vulnerable but not poor)	N/A	14.6
Inequality (Gini Coefficient)	0.45	0.37

**Source:** Kairi Consulting with the National Assessment Team, Grenada. 2008.

*Final Report, Country Poverty Assessment: Grenada, Carriacou and Petit Martinique,* p.xvi.

1.03 The Growth and Poverty Reduction Strategy (GPRS), 2012-16 indicated that the well-being of women and the families they head is a concern. Grenada has the highest recorded percentage of women-

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<sup>2/</sup> The CPA presents the most recent comprehensive empirical data on poverty in Grenada.

headed households among the Organisation of Eastern Caribbean States (OECS). This has increased the focus on females because of the double presence phenomenon arising from their low labour participation rate and comparatively low incomes. According to the Country Gender Assessment (CGA) 2014:41, 24% of poor female heads of households are not in the formal labour force, and of those seeking to participate, only 21% are employed. Further, in urban households, 44% of female heads are in the three lowest consumption quintiles, compared with only 18.6% of male heads.

1.04 As social conditions have deteriorated, the Government of Grenada (GOGR) is systematically reforming its social assistance system by implementing a conditional cash transfer programme called Support for Education Empowerment and Development (SEED). It unifies three previously existing assistance programmes<sup>3/</sup> in an effort to make the programme more efficient, transparent and better targeted. This reform was undertaken to improve the reach and benefits in a more cost-effective manner. To bring policy coherence to the range of social protection interventions, GOGR has finalised and launched its Social Safety Net Policy Framework (SSNPF) in 2014. In addition to improving the efficiency of social assistance programmes, GOGR recognises the imperative of addressing the issue of inequality which has been exacerbated by an increase in unemployment levels, particularly within households represented within the lower quintiles of the population. These households, in particular, continue to endure acute hardship and diminished quality of life as revealed by statistics confirming that one-fifth of households in the country are currently benefitting from State-provided social assistance.

1.05 In 2013, the Ministry of Social Development and Housing commenced preparation of the Gender Equality Policy and Action Plan (GEPAP), 2014-19. The draft (final) GEPAP was prepared with wide stakeholder input and efforts are underway to finalise the document by the second quarter of 2014. The policy goals are embedded in the human rights framework and are aligned with the “rights of the individual” in Grenada’s 1974 Constitution; and the Government’s current national development framework as articulated in GPRS. GEPAP aims to guide the: (i) formulation of gender-responsive policies, plans and programmes; (ii) allocation of human, financial and technical resources; (iii) delivery of public services; and (iv) M&E of gender equality and equity outcomes. It is intended to be used as a guide by private sector institutions to promote gender and socially-responsible entrepreneurial development, and by civil society organisations to provide complementary services to advance gender equality. It also aims to provide a platform for state/private/civil society dialogue, collaboration and accountability.

(c) Economic Context

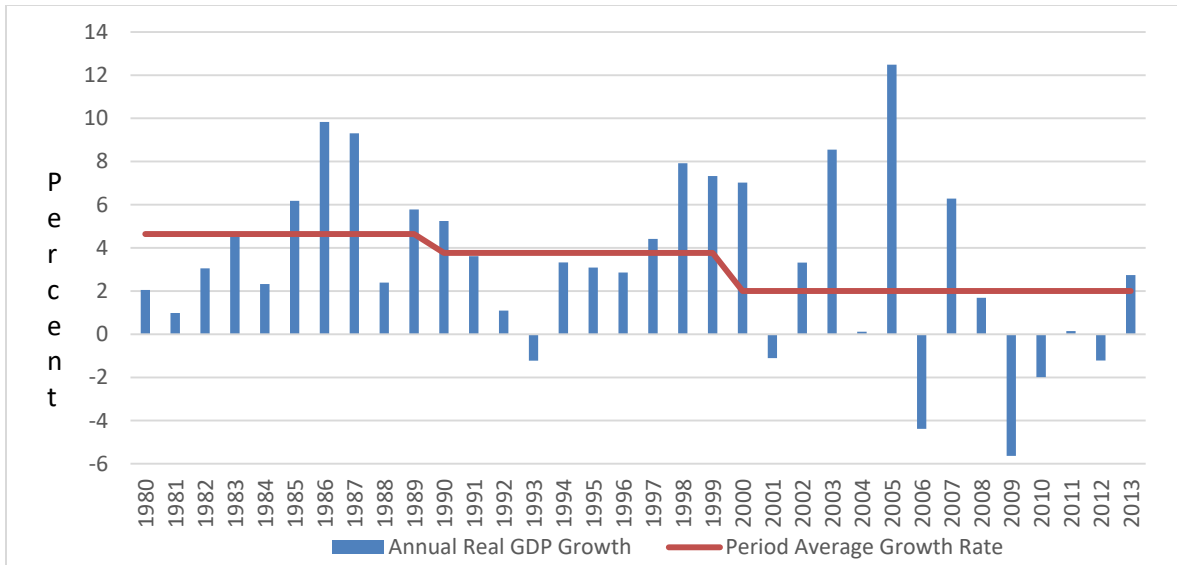
1.06 Notwithstanding Grenada’s achievements, the macroeconomic environment since 2001 has been characterised by declining and uneven growth; weak fiscal performance; unsustainable debt levels; high unemployment; and rising poverty. As illustrated in Figure 1.1, growth averaged 4.5%<sup>4/</sup> during the period 1980-89, facilitated by a measure of protection in the European Union (EU) market for agricultural products and partly from strong foreign direct investment (FDI) as the economic base was being diversified from agriculture into tourism and other services. Average growth slowed after 2001, to 1.9%, under the impacts of successive external shocks and natural disasters resulting in weakening fiscal performance and rapid debt accumulation.

**FIGURE 1.1: REAL GROSS DOMESTIC PRODUCT GROWTH (1980-2013)**

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<sup>3/</sup> Necessitous Fund; School Transportation Allowance; and Public Assistance.

<sup>4/</sup> Arithmetic mean.



Source: CSO, Grenada; ECCB

1.07 A decomposition of growth over the period 1980-2011 shows that, of the average rate of 3.4%, physical capital accounted for 2.4%; human capital 0.7%; and total factor productivity (TFP) 0.3%, as is shown in Table 1.3. A breakdown of the three decades reveals that TFP contributed less to output growth over successive periods, but more importantly, began to take away from GDP growth as the period went on. Two factors were responsible for this slowdown in economic growth. Firstly, the rapid productivity gains resulting from a shift in the economic structure (from agriculture to services) during the 1980's were not sustained. Secondly, significant and ongoing emigration of skilled labour has contributed to a decline in labour productivity.

**TABLE 1.3: GRENADA – GROWTH CONTRIBUTION FACTORS (1981-2011)**

Years	Growth in GDP (%)	Human Capital (%)	Physical Capital (%)	Total Factor Productivity (%)
1981-2011	3.42	0.65	2.44	0.33
1981-1991	5.20	(0.82)	4.66	1.36
1991-2001	3.43	1.77	2.74	(1.08)
2001-2011	1.92	1.00	2.06	(1.14)

Source: CSO, Grenada and CDB Staff Estimates

1.08 Analysis of Grenada's incremental capital output ratio (ICOR) over the same period (1981-2011) shows that it has increased significantly, indicating that physical capital investment is becoming less productive (see Table 1.4). From the growth accounting and ICOR, it can be concluded that Grenada's economic growth since 1981 has been mainly based on high levels of physical capital investment, which is becoming less productive.

**TABLE 1.4: GRENADA – INCREMENTAL CAPITAL OUTPUT RATIOS**  
(1981-2011)

Years	Investment Ratio (% GDP)	GDP Growth (% per annum)	Incremental Capital Output Ratio
1981-1991	34.65	5.20	6.66
1991-2001	36.25	3.43	10.57
2001-2011	30.80	1.92	16.04

Source: CSO, Grenada and CDB staff estimates

1.09 Over the period 2000-2013, the Central Government’s (CG) overall deficit averaged 4.5% of GDP. Over the same period, recurrent revenue fluctuated between 19.1 and 21.6% of GDP. This was influenced by the moderation in the rate of economic growth and lack of buoyancy in the tax system. Throughout the period, the granting of tax exemptions played a major role in the progressive erosion of the tax base. Lack of buoyancy in tax collection, even after the introduction of a Value-Added Tax in 2010, contributed to a general downward trend in recurrent revenue receipts in relation to GDP. This, coupled with a continuous increase in recurrent expenditure from 16.4% of GDP to 21.2% of GDP in 2012, caused the fiscal situation to deteriorate. Expenditure on personal emoluments grew as Government employment rose. In addition, debt service obligations and transfer payments, including pensions and gratuities, added to the upward pressure on recurrent expenditure.

1.10 By the early 2000s, CG had significantly increased capital expenditure in an effort to kick start economic activity using commercial financing. This resulted in the public sector debt increasing from 46.5% of GDP in 2000 to 93.7% in 2004. The sharp economic downturn in the aftermath of the hurricanes in 2004 and 2005 made it impossible for GOCR to service its debts. Given the decline in recurrent revenue and the need to rebuild social and economic infrastructure damaged by the hurricanes, GOCR arranged to restructure its commercial debt of USD275 mn (47.2% of total public sector debt) in 2005 by undertaking a debt exchange, involving the issue of 20-year bonds, with a step-up interest rate structure. In the following year, GOCR obtained debt relief from its Paris Club and some of its non-Paris Club bilateral creditors. However, while the debt restructuring provided some immediate relief, especially from interest payments, high levels of recurrent and capital expenditures resulted in fiscal deficits and the further accumulation of public debt.

(d) Outlook

1.11 The medium-term prospects are positive for Grenada. Growth is expected to moderate slightly from the 2.7% rate in 2013 to around 2% over the country strategy period, with this dampening effect resulting from the fiscal adjustment being undertaken by GOCR to obtain fiscal and debt sustainability. Nonetheless, the expected resumption of financing flows from other multi-lateral partners and a pick-up in FDI as a result of a strengthening global recovery will somewhat limit the downturn. External imbalances are expected to narrow gradually as weak domestic demand slows the rate of growth in imports, and as export demand recovers. Inflation is projected to remain subdued in the face of moderate commodity price increases (see Text Box 1).

### **Text Box 1: Building a New Economy**

A newly elected Government in 2013 took control of an economy where the overall fiscal deficit was 6.5% of GDP and public sector debt had risen to 108% of GDP at the end of 2012. To correct this situation, it developed a home-grown reform programme that is aimed at restoring macroeconomic stability in the short term and sustainable economic growth over the medium term. The main actions to be taken under the programme include strong fiscal adjustment measures supported by public financial management reforms and a comprehensive public sector debt restructuring; structural reforms to reduce the cost of doing business; and measures to strengthen the financial system's stability.

Key performance indicators under the programme include: (i) higher levels of growth; (ii) higher employment (especially among the youth); (iii) an improved ranking on the Ease of Doing Business Index; (iv) higher tax effort; (v) lower non-personal expenditure relative to 2012; (vi) lower monthly financing shortfall; (vii) lower interest payments as a proportion of GDP; and (viii) a lower debt-to-GDP ratio.

In support of its home-grown reform programme, GOCR has requested assistance from IMF under its ECF to provide funding during the adjustment period. The ECF is also expected to help attract additional funding and technical assistance (TA) from other multilateral organisations and the rest of the international donor community.

## **Key Development Challenges**

### **(a) Fiscal and Debt Sustainability**

1.12 Grenada's fiscal situation has been characterised by persistent deficits. The ratio of tax revenue to GDP, at less than 21% is currently among the lowest in the OECS Member States. Over the years, consistent measures to raise the tax effort have produced limited success, mostly because of the provision of incentives (whether statutory or discretionary) that eroded the initial gains. Following a steep drop in revenue in the aftermath of Hurricanes Ivan and Emily, GOCR moved to broaden and stabilise the tax base by introducing a Value-Added Tax in 2010. The tax effort increased in the first two years after implementation, but these gains were eroded as policy reversals, in support of a weak domestic economy, took effect in 2012.

1.13 Over time, the increasing size of the public sector further compounded the fiscal position. The size of government, relative to GDP, increased from 6.5% in 2000, to 8.6% by 2013, with wages and salaries accounting for 60% of every dollar in revenue collected. This situation, coupled with increasing debt service requirements, resulted in the diversion of approximately 80% of revenues, leaving insignificant amounts for purchases of goods and services, and to support the public sector investment programme.

1.14 Persistent fiscal deficits, exacerbated by reconstruction costs associated with natural disasters, have seen the public debt move from 46.5% of GDP in 2000 to 106.9% of GDP by 2013. Addressing the high debt will be a challenge, given that a surplus on the primary balance was last recorded in 2005. Moreover, the cumulative primary deficits between 2006 and 2013 totaled 19.7% of GDP.

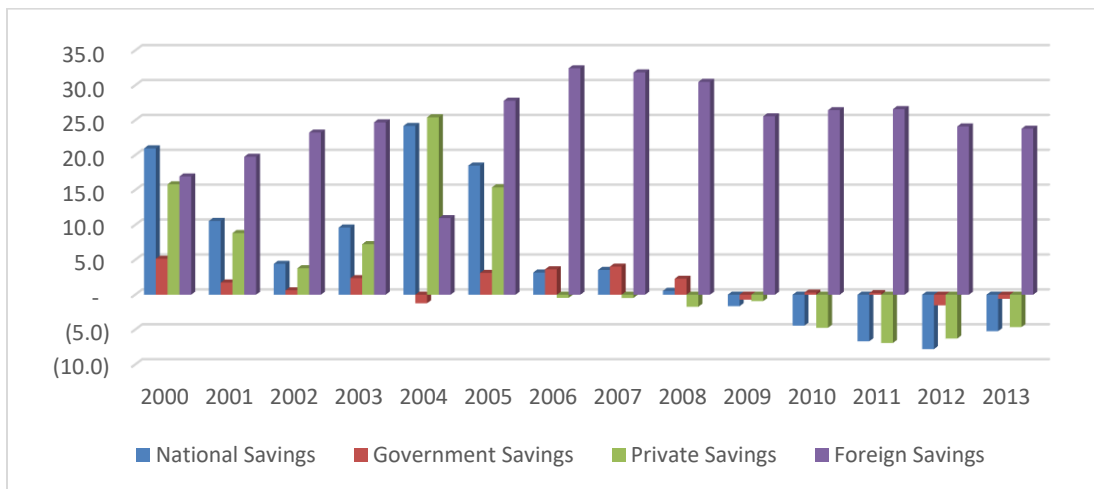
1.15 To restore fiscal and debt sustainability and create an environment conducive to economic growth, a strong consolidation effort coupled with a comprehensive debt restructuring is required. GOCR has

started to implement measures to stem the fiscal deterioration, which should bring the primary balance to a surplus of 3.5% of GDP by 2016. While the fiscal consolidation effort would start to bring the debt down, it would not be sufficient for Grenada to achieve the Eastern Caribbean Currency Union’s debt target of 60% of GDP by 2020 without a comprehensive debt restructuring. The fiscal consolidation programme which GOGR recently commenced, coupled with the planned debt restructuring exercise, soon to be undertaken, would provide the fillip needed to place the public debt on a sustainable path.

(b) Negative Domestic Savings

1.16 Domestic savings fell following the onset of the global economic slowdown in the early 2000s, before recovering in 2004. After 2005, the domestic saving rate collapsed and became negative after 2009 (see Figure 1.2). In spite of the negative domestic savings rate over the period 2009-13, investment, as a percentage of GDP remained relatively high, averaging 26.5% of GDP. The impact of Hurricanes Ivan and Emily led to a significant increase in gross capital formation between 2004 and 2008. With the return to more normal circumstances, capital formation started to fall before recovering somewhat in 2013. Despite the recent upturn in capital formation, the negative levels of domestic savings (private and public sector) means that the economy’s dependence on external resources for investment remains high. Greater effort is needed to mobilise domestic savings to reverse this situation. In the public sector, increased savings will be needed to support the counterpart requirements of official assistance.

**FIGURE 1.2: GRENADA – SAVINGS (2000-2013)**  
(% of GDP)



Source: Eastern Caribbean Central Bank (ECCB)

(c) Human Resources Development

1.17 Education development in Grenada is informed by the Strategic Plan for Educational Enhancement and Development (SPEED), as well as the Organisation of Eastern Caribbean States Education Sector Strategy (OESS) 2012-2021, endorsed by OECS Education Ministers. In placing particular emphasis on access and participation in education at all levels, enhancing the quality of instruction and services available to students and improving levels of achievement as a result, SPEED is strongly aligned with the focus of the OESS. Education authorities in Grenada recognise that any further development strategy must therefore be linked with the results achieved through its implementation. Accordingly, GOGR is currently evaluating



the development impact of SPEED with a view to determining the future direction of education development.

1.18 Significant progress has been made in Early Childhood Development and Basic Education, with overall Net Enrolment Rates of almost 100% at these levels. In addition, improved social services in the form of textbook and uniform grants and school feeding programmes, have also contributed to greater participation of vulnerable and at-risk children in the system. Despite these achievements, however, a number of key challenges still compromise the capacity of GOCR to fully achieve its development outcomes. These challenges relate to:

(i) *The Quality of School Infrastructure:*

Several schools remain in poor physical condition following the damage sustained from Hurricanes Ivan and Emily. Given the strong correlation between the quality of facilities and student achievement, it is imperative that restoration of school infrastructure remain a priority.

(ii) *Poor Instructional Quality and Irrelevant Curricula:*

Instructional quality continues to be poor, as demonstrated in student performance on national and external assessments. This is influenced by the large number of untrained teachers in the system, inadequate teacher preparation and lack of instructional support for teachers at the classroom level. In addition, inadequacies in the curriculum render it irrelevant for equipping students with skills that constitute the foundation for sustainable development.

(iii) *The Non-alignment of Education and Training with the needs of the Economy:*

It is generally agreed that there is a mis-match between education and training, on the one hand, and labour market needs, on the other. GOCR has established the National Training Agency (NTA), whose mandate is to enhance the employability of the Grenadian workforce. However, the sustainability of NTA is not assured since the funding for its establishment and start-up has ended. It is imperative that mechanisms are identified to ensure its sustainability to lead the programmes and processes required for alignment of education and training with critical workforce needs.

(iv) *The Inability of the Ministry of Education to Focus Key Development Imperatives because of the absence of Policy Direction:*

There are currently no policies for guiding development in the integration of Information and Communication Technologies (ICTs); for establishing student support services, including inclusive education; and rationalising post-secondary and tertiary programming to avoid duplication and maximise limited resources.

(v) *Gaps in Capacity for Leadership of the System:*

There are currently many gaps in the skill set required for effective leadership and management of the educational system. The successful achievement of outcomes for human capital development will be highly dependent on the quality of leadership of the system.

1.19 Some initiatives are already underway with respect to the challenges, but significant investment is still required if the targeted outcomes are to be achieved.

(d) Environmental Vulnerability

1.20 The priority environmental issues in Grenada are: (i) land degradation; (ii) coastal erosion; (iii) poor solid waste management; (iv) contamination of drinking water supplies; (v) inappropriate coastal development; and (vi) increasing biodiversity loss.<sup>5/</sup> Grenada developed a Climate Change Policy in 2007 reflecting an emphasis on climate proofing; climate data and information management; sustainable livelihoods; public awareness and education; and the promotion of energy efficiency (EE) and renewable energy (RE).

1.21 With the most recent climate projections suggesting a strong likelihood of reduced rainfall in all seasons, the potential exists for reduced water availability to negatively impact livelihoods, economic development and the health of poor rural communities. This suggests the need for the implementation of water adaptation measures, including harnessing non-traditional water sources to improve water storage and access to rural communities; and the piloting of drip irrigation among farmers to improve the efficiency of water supplies in rural areas.

1.22 GOCR has taken steps to improve the management of solid waste, including the formulation of a National Waste Management Strategy in 2003. In keeping with the strategy, some attempts have been made to establish a sustainable waste disposal system. However, there remain serious gaps in the provision of solid waste disposal infrastructure.

1.23 The management of land use in Grenada is guided by the National Physical Development Plan (NPDP), 2002-2021. However, in spite of the existence of NPDP, unsustainable use of land and natural resources remain major challenges for the Government. This is increasingly being manifested in: (i) illegal sub-divisions; (ii) increased levels of informal settlements; (iii) environmental degradation; (iv) increased hazard vulnerability and improper waste disposal; and (v) unbalanced spatial development. These problems are, in part, a reflection of weak development controls and weak institutional coordination. The NPDP articulates the need to create better balance in the spatial development of the country and provides a framework for counterbalancing the disproportionately high concentration of growth in the South South-West regions of the country. In order to counterbalance these trends, Local Area Plans have been developed for Sauteurs in the North and Greater Grenville in the East, but they require Development Orders to be effectively implemented.

1.24 A considerable portion of the problems being encountered with land use management in Grenada could be addressed by developing a National Land Use Policy which would create an overarching and coherent framework for institutional coordination and stakeholder participation leading to more prudent land use decision-making.

(e) Enhancing Energy Efficiency and Renewable Energy Development

1.25 Improving EE and developing RE options are key features of Grenada's energy policy. Efficiency gains in energy reduce demand for power, which in turn leads to a reduction in the use of fossil fuels, which has both positive economic and environmental benefits. However, major gaps remain in the achievement of policy targets due to binding constraints affecting the sector, in particular, the absence of a policy, legal and regulatory framework. Some of the key issues for which regulations are required are: (i) mandatory labelling for new appliances and new cars; (ii) revision of the national building code; (iii) mandatory installation of solar water heaters for large developments and Government projects; (iv)

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<sup>5/</sup> National Environmental Summary, Grenada 2010 (UNEP).

development of government incentives in support of EE and RE development; and (v) development and implementation of public sector wide energy conservation and efficiency programmes.

1.26 The promotion of EE is also high on the policy agenda of GOGR, as evidenced by the policy pronouncement to “*increase the efficiency of the energy sector in the generation, transmission, and distribution of electricity*”. However, progress in this area is being hampered by a number of factors. A recent study<sup>6/</sup> undertaken by the Economic Commission on Latin America and the Caribbean highlights the main barriers to implementing energy conservation and EE in Grenada as being; (i) lack of information; (ii) lack of trained personnel or technical or managerial expertise; (iii) regulatory biases or absence of regulation to support energy development; (iv) high transaction costs; (v) lack of access to credit; (vi) high costs of energy technologies; and (vii) high cost of credit.

(f) Citizen Security

1.27 The increasing incidence of crime, violence and anti-social behaviour and their links to gender and citizen security are growing concerns. They continue to impose significant social costs on the country in terms of the value of resources used to prevent violence and treat victims and perpetrators, and non-monetary costs in terms of the emotional and psychosocial impacts. According to the Caribbean Human Development Report on Citizen Security (2012), the causes of crime are related to several factors including: (i) socialisation patterns that correlate to aggressiveness and masculinity and promote violence, risk-taking and exertion of power as expected behaviour among boys and young men; (ii) the decline in values and attitudes across society; (iii) inequality in income distribution; and (v) a chronic drug culture leading to the increasing availability of illegal firearms. These factors have influenced Grenada’s approach to addressing the issue of citizen security from a developmental perspective. In this regard, greater attention is being paid to developing an integrated framework to address juvenile delinquency and concomitant risk factors within the school system and the wider community.

(g) Underdeveloped Private Sector

1.28 Grenada’s private sector is characterised by the dominance of small businesses and a significant informal sector both involved in a wide range of services and production activities. The large firms in the private sector, which are generally foreign owned, are engaged in critical areas of activity including wholesale and retail trade, tourism and utilities. At the end of 2013, it was estimated that there were approximately 5,000 registered business enterprises in Grenada, 2,700 of which were active and 70% concentrated in wholesale and retail trade; construction; personal and household services; agriculture forestry and fishing; and social and community-related services.

1.29 Stakeholders in the private and public sectors in Grenada have identified several constraints to the development of the private sector. These include: (i) restricted access to credit due to high interest rates and the risk-averse stance of commercial banks; (ii) the lack of a highly skilled well qualified labour force, particularly at the technical and managerial levels, arising from inadequate training facilities and the need to better align training programmes with skill needs; and (iii) unfair competition from the large and growing informal sector. Stakeholders also identified the high cost of energy and electricity as a major constraint and the need for a revised legislative framework to enable equitable sale of RE to the national grid. Further, high taxation and inadequate business support services were highlighted as constraints.

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<sup>6/</sup> Assessment of fiscal and regulatory barriers to the deployment of EE and RE Technologies in Grenada – Emmanuel, Alleyne, and Phillips, 2013.

1.30 These constraints were reflected in the downward trend of Grenada's recent rankings in relation to the ease of conducting business. A WB/International Finance Corporation Investment Climate Survey (2014) ranked Grenada 107 out of 189 countries, compared to a rank of 103 out of 178 countries in 2013. While Grenada scored relatively high in areas such as dealing with construction permits (9); protecting investors (34); trading across borders (61); getting electricity (71); and starting a business (72), the country scored poorly in the areas of resolving insolvency (189); enforcing contracts (166); registering property (157); and getting credit (130). GOGR has identified the private sector and, in particular, MSMEs as a key driver for promoting economic growth, creating employment and generating income.

1.31 GOGR has signaled its commitment to the Grenada Development Bank (GDB), as a critical player, to support the long term development of the private sector. To improve access to credit, GOGR has established a Small Business Development Fund for on-lending to small and medium enterprises (SMEs). However, these resources are inadequate.

### **Grenada's Development Plan, Poverty Reduction Plan and National Priorities**

1.32 The vision and core values being pursued by GOGR for the development of the country are contained in the National Strategic Development Plan (NSDP) 2007-2017. NSDP was developed against the background of the Government's policy focus; issues emerging from the environmental scan; and in conformity with the mandates and conventions to which Grenada is party. A review and update of the Plan was undertaken in 2012 to take account of the changing dynamics that have been impacting on its implementation. While noting the achievements accomplished, the review cites the following as the main factors adversely affecting implementation: (i) the absence of a champion; (ii) inadequate commitment; (iii) financial constraints; and (iv) lack of a national planning structure to coordinate activities.

1.33 Following the social dislocation in the aftermath of Hurricanes Ivan and Emily, and further compounded by the effects of the global financial crisis, GOGR had developed and commenced implementation of a GPRS (2012-16) as a complement to its NSDP. In 2013, following the change in Government, an enhanced Economic Transformation and Poverty Reduction Strategy [ETPRS] (2013-18) was developed to build on the platform of GPRS, with the intention of enhancing conditions for pro-poor growth as a requisite for reducing poverty. Such an approach is considered fundamental to facilitating inclusive growth, which is critical for achieving sustainable human and social development, gender equality and poverty reduction. The NSDP is also being revised to be consistent with the ETPRS.

1.34 A refocused policy thrust following the review of NSDP, identified five "transformative sectors": (i) agribusiness; (ii) tourism; (iii) health, wellness and education services; (iv) energy development; and (v) ICT, – as the priority areas to propel future growth and development in the quest to build a "new economy". These sectors were chosen based on their ability to generate employment and improve the country's foreign exchange earnings. As of January 2014, GOGR began implementation of a 3-year home-grown programme of fiscal adjustment, debt restructuring and structural reforms to pursue the realisation of the above objectives.

### **Caribbean Development Bank's Engagement in Grenada**

1.35 CDB has had a long history of involvement in Grenada and its support has served critical development needs of the country. Over the period 1970–2013, the Bank approved \$236.8 mn (net) in loans, contingent loans, equity and grants to Grenada; representing 5.6% of CDB's total approvals to its BMCs. CDB's lending has mainly been in the area of economic infrastructure. Net resource flows to Grenada have historically been positive; but turned negative in 2011, a time when the country faced a fiscal crisis. Net resource flows over the period 1999-2003 are shown in Table 1.5.

**TABLE 1.5: GRENADA – NET RESOURCE FLOWS (2009-13)**

*(USD mn)*

<b>Item</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Net Disbursement	7.83	5.52	0.41	0.83	(0.22)
Disbursement	11.51	9.65	5.00	4.70	6.70
Amortisation	3.68	4.13	4.59	3.87	6.92
Interest and charges	3.29	3.23	3.11	2.38	4.39
Net resource flow	4.54	2.29	(2.70)	(1.55)	(4.61)

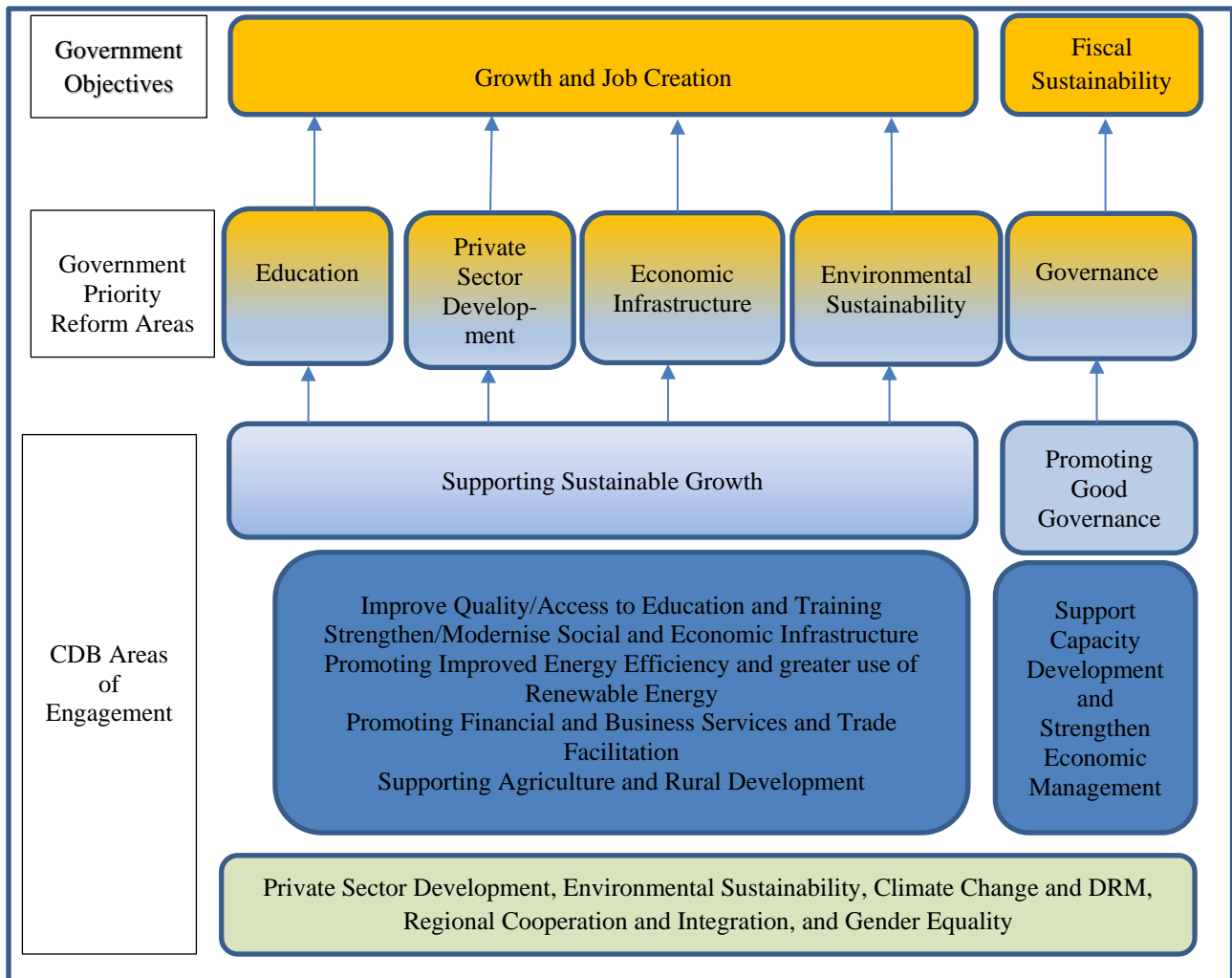
1.36 Lessons of experience drawn from CDB’s long period of engagement in Grenada, coupled with its involvement with other BMCs, point the way for CDB to deepen its engagement with the country. It is generally recognised that for the successful implementation of development programmes the following are required: (i) country ownership; (ii) identification of a champion to lead the various reforms; (iii) active engagement of stakeholders; and (iv) robust monitoring mechanisms. A review of Grenada’s portfolio over the period 2008–2012 revealed that most sub-optimal outcomes were linked to: (i) political inertia; (ii) weak planning capability; (iii) limited project implementation capacity in key line ministries; and (iv) weak M&E processes (see Appendix 2).

**2. CARIBBEAN DEVELOPMENT BANK COUNTRY STRATEGY 2014-18**

**Country Strategy and its Proposed Contribution to Country Outcomes**

2.01 This Country Strategy outlines a framework for CDB’s support to Grenada to help achieve its overriding development goal of creating a diversified, dynamic, prosperous and stable society generating new and higher-valued income opportunities for all its citizens. CDB’s strategy, therefore, responds to Grenada’s development priorities and is consistent with the Bank’s strategic objectives of: (i) supporting sustainable growth; and (ii) promoting good governance (see Chart 2.1).

**CHART 2.1: COUNTRY STRATEGY CONTRIBUTION TO GRENADA’S DEVELOPMENT OBJECTIVES**



2.02 The Country Strategy covers the period 2014-18 and is framed within the context of: (i) high-level strategic policy dialogue with the country’s key policymakers and stakeholders; (ii) the country’s financial/fiscal and institutional resource constraints; and (iii) activities/programmes of other development partners. Where appropriate, the design of capital projects will take into account the important cross-cutting thematic areas of citizen security and gender equality.

2.03 In order to ensure evidence of gender equality results in all the CSP sectors, CDB and GOCR commit to include gender analysis and sex-disaggregated data in planning, implementation, and M&E, at the sector, programme and project levels. This entails that the budgets have sufficient resources allocated for conducting gender analysis throughout the development cycle, including, but not limited to, situation analyses, appraisal and supervision reports, project completion reports and evaluation exercises. Indicators will be disaggregated by sex where available.

2.04 In addition to the systematic conduct of gender analysis, special attention will be given to the effective engagement of a critical mass of stakeholders of both sexes, as well as gender-related groups, in the needs assessments; prioritisation processes; project management committees; implementation; and M&E of projects. Whenever possible, gender analysis will also identify existing risks of gender-based violence specific to the projects' contexts and recommend mitigation measures to be pursued by the corresponding projects.

### **Priority Sector Outcomes**

#### **(a) Improved Macroeconomic Stability**

2.05 To the achievement of macroeconomic stability, CDB will support GOCR in the implementation of their macroeconomic adjustment and fiscal reform programme. CDB will provide resources under its policy-based instrument to support policy reforms aimed at: (i) improving Grenada's business environment and competitiveness; (ii) supporting fiscal consolidation and improving public sector management and social safety nets; (iii) enhancing preparedness against natural disasters; and (iv) achieving debt sustainability. This support forms part of the wider cooperation agreement between GOCR and its other development partners to fill the required financing gap over the adjustment period.

#### **(b) Increased Access to High Quality Education and Training**

2.06 Based on the issues of critical concern, CDB will support the following:

- (i) The continued restoration of school infrastructure to enhance the enabling environment for learning.
- (ii) A heightened focus on quality and relevance to improve student outcomes through teacher training and curriculum reform.
- (iii) The alignment of education and training with the needs of the economy, with particular emphasis on addressing the sustainability of the NTA.
- (iv) Policy development and establishment of structures for:
  - (aa) integration of ICTs;
  - (bb) student support services;
  - (cc) inclusive education; and
  - (dd) rationalisation of post-secondary and tertiary programming.
- (v) Strengthening of the Ministry of Education's strategic leadership and planning capacity.

2.07 These areas are well aligned with the broad goals of GOCR for education as outlined in the SPEED, but not yet fully achieved, as well as: (i) the critical imperatives of teacher development; (ii) education quality and relevance; (iii) the expansion and development of Technical and Vocational Education and Training (TVET); (iv) enhancement of leadership and management of the system; and (v) provision of the enabling environment for student achievement, as outlined in OESS.

(c) Private Sector Development

2.08 CDB supports GOCR's strategy for private sector development and its assistance strategy will focus on financial intermediation to channel resources to SMEs in services and the directly productive sectors. CDB will also provide assistance to enhance the human capital of Grenada for upgrading skills at the professional, technical and vocational levels, as well as TA to develop the operational capacity of SMEs. In this regard, the strategy provides for a line of credit through a financial intermediary, including "soft" resources for on-lending to MSMEs. To bridge the funding gap for tertiary education and specialised skills training not met by Government scholarships and commercial bank financing, this strategy also provides for a line of credit for student loans, with a set-aside for students from poor and vulnerable households. Further, TA support to MSMEs in Grenada is planned through the Caribbean Technological Consultancy Services (CTCS) network.

(d) Enhanced Social Policy/Social Protection and Research

2.09 Since the last comprehensive assessment of poverty was conducted in 2008, social indicators have declined, principally as a result of the lingering impacts of the global economic recession. Unemployment has risen and there has been a concomitant increase in the number of beneficiaries registered under SEED. To protect the most vulnerable while it implements fiscal consolidation measures, GOCR has refined its poverty strategy and strengthened its SSNPF. As part of this, improving and streamlining the targeting of social assistance is a priority. In addition, continued emphasis is being placed on community-driven development to strengthen social resilience and reduce vulnerability. Looking ahead, the conduct of a new poverty assessment will be undertaken, particularly given the imperative of empirical data collection to assist in poverty monitoring and evidence-based decision-making.

(e) Improved Environmental Sustainability and Land Use Management

2.10 In order to safeguard the economy and the livelihoods of people, targeted investments are required to build the resilience of Grenada's environment. Many development partners have been helping the Government address the environmental, climate and DRM concerns. CDB's support will be geared towards: (i) implementing adaptation measures for communities and farmers; (ii) formulating a national land use policy; (iii) and developing an environmentally sound solid waste disposal infrastructure.

(f) Enhanced Energy Efficiency and Renewable Energy Development

2.11 Improving EE and developing RE options are key features of Grenada's energy policy. Efficiency gains in energy can reduce demand for power, which in turn leads to a reduction in the use of fossil fuels. Both have positive economic and environmental benefits. However, major gaps remain in the achievement of policy targets due to binding constraints. CDB's support will focus on: (i) strengthening the institutional capacity and regulatory framework to facilitate the introduction of renewable and EE technologies; (ii) piloting energy efficient technologies; (iii) implementing innovative energy education and awareness programmes for all sectors; and (iv) developing fiscal and financial incentives to support the development of RE. Additional support is being provided to encourage the adoption of energy efficient and RE technologies among MSMEs through GDB.

(g) Improved Economic Infrastructure



2.12 To contribute to the redevelopment of the town of Grenville through improvements in key urban infrastructure, GOCR has been implementing the Grenville Market Development Project with CDB's support. Construction has been completed on three of the four sub-components – a new abattoir, redeveloping the market square and the development of a new bus terminal. No work has started on the procurement of the drainage improvement works – the last of the building and civil works sub-components – due to insufficient funds to undertake this work as originally planned. Project completion has been identified as a priority. GOCR has submitted a request to CDB for an additional loan to finance outstanding work on the drainage component of the project, the expansion of the bus terminal and the completion of paving at the bus terminal. However, it is expected that the paving works will now be addressed using resources from the current loan.

### **Cross-Cutting Themes**

(a) Gender Equality

2.13 It is widely accepted that measures which support gender equality assist in improving economic growth and poverty reduction. Grenada has undertaken a CGA (2013) and has developed a comprehensive GEPAP (2014-19) that must now be implemented. Among its findings, GEPAP acknowledges a critical need for gender sensitisation of political leaders and other key decision-makers in the society at various levels and identifies the reduction of gender-based violence as important to improving social relations between the sexes and increasing the contribution that men and women can make to the development outcomes of Grenada. CDB will provide assistance to support the implementation of GEPAP.

(b) Citizen Security

2.14 Citizen security has been identified as an important development issue by stakeholders in Grenada. They recognise the imperative of building human and social capital through *inter alia*, addressing the social determinants of crime and violence, adapting juvenile justice legislation and developing programmes for early intervention to address social deviance and other elements of anti-social behaviour. Grenada has taken an important step in providing rehabilitative care and support to deviant youth who, in some cases, have come into contact with the law and others through socioeconomic circumstances and reduced life chances, demonstrate the need for care and protection. The recently constructed rehabilitation facility at Bacolet provides a functional institutional response by GOCR to address some of these multi-faceted challenges confronting youth. In the absence of a robust system to identify and assess youth-at-risk of offending, which is critical to developing evidence-based response protocols, Grenada has prioritised the development of appropriate tools to support establishment of such a system. In that regard, CDB will provide TA to develop tools for:

- (i) identifying youth-at-risk of offending (Screening Tool); and
- (ii) assessing the risk of youth offending/re-offending (Risk Assessment Tool).

2.15 The expected outcomes of this support include:

- (i) harmonised steps in setting up an integrated delinquency prevention programme;
- (ii) improved targeted prevention programmes; and
- (iii) improved dialogue and information sharing among local stakeholders and development partners.

### 3. STRATEGY IMPLEMENTATION AND RESULTS FRAMEWORKS

#### Programme Overview

3.01 The sector focus of the Country Strategy aligns with GOCR’s medium-term goals relating to: (i) growth and job creation; and (ii) fiscal sustainability. The Country Strategy seeks to facilitate a restoration of sustained and inclusive economic growth and to increase efficiencies in programme implementation. Over the period of the Strategy, stabilisation of the macro-economy to facilitate Government in meeting its ongoing commitments in a timely and orderly manner, will be a primary concern. This will ensure the uninterrupted functioning of Government, which in turn increases the confidence of persons wanting to invest, work and live in Grenada.

3.02 Bank instruments to be utilised during Country Strategy implementation will include: (i) the Policy-Based Operations (PBO); (ii) financing through the provision of investment loans; (iii) TA for capacity development; (iv) CTCs resources for SMEs development; and (v) Basic Needs Trust Fund (BNTF) resources for community-driven poverty reduction initiatives. An indicative resource envelope of \$74.1 mn is programmed to support implementation of the Strategy. The envelope comprises a blend of United States dollars twenty million (USD20 mn) from SDF resources and \$54.1 mn from its Ordinary Capital Resources. The indicative areas of support are shown at Table 3.1.

**TABLE 3.1: INDICATIVE AREAS OF SUPPORT**

<b>Areas of CDB Support</b>	<b>Proposed Intervention</b>	<b>Amount (USD mn)</b>
Improve Macroeconomic Stability	PBOs	30.0
Improve Quality/Access to Education and Training	SPEED follow-up	10.0
	Student Loan Schemed through GDB	7.5
Promote Private Sector Development	SME financing through GDB	5.0
Promote Environmental Stability	RE/EE for Government buildings	5.0
	RE/EE in target MSMES	0.5
	Implementation of water adaptation measures for farmers and communities.	1.0
	TA – Development of Land Use Policy	0.3
	Solid Waste Management	7.5
Modernise Social and Economic Infrastructure	Grenville Market Development Phase 2	4.0
	BNTF (7 <sup>th</sup> ) Programme (resources allocated to: education and human resource development; water and sanitation; and community infrastructure)	2.6
Improve Capacity for Strategic Policy Management and Evidence-based Decision-Making	TA to conduct Country Poverty Assessment	0.2
	TA support for Gender Mainstreaming	0.2
	TA support to Citizen Security interventions	0.3

### **Development Results, Results Frameworks and Country Strategy Monitoring and Review**

3.03 To ensure evidence of gender equality results in all CSP interventions, CDB and GOCR commit to include gender analysis elements and sex-disaggregated data in planning, implementation, and M&E at the sector, programme and project levels. This means that the budgets must have sufficient resources allocated for conducting gender analysis throughout the development cycle, including, but not limited to: (i) situation analyses, appraisal and supervision reports; (ii) project completion reports and evaluation exercises; and (iii) the baselines, indicators and targets will be disaggregated by sex.

3.04 In addition to the systematic conduct of gender analysis, special attention will be given to the effective engagement of a critical mass of stakeholders of both sexes, as well as gender-based non-governmental organisations, in the needs assessments, prioritisation processes, project management committees, implementation and M&E of projects. Whenever possible, gender analysis will also identify existing risks of gender-based violence specific to the projects' contexts and recommend mitigation measures to be pursued by the corresponding projects.

3.05 CDB will use a RMF to monitor expected sector outcomes of its interventions. For each intervention, the monitoring framework will identify Grenada's development objectives to which it is aligned, the expected contribution to sectoral outcomes and the performance measurement criteria. Strategy implementation will be monitored through Annual Country Review Missions, as well as a Mid-term Review. The Mid-term Review will be undertaken in 2016 to assess progress towards meeting expected sector outcomes; assess portfolio progress and utilisation of the resource envelope. An end of Strategy review will also be undertaken. Overall monitoring of the Strategy will be undertaken by both the Bank and country authorities. The RMF is shown at Table 3.2.

**TABLE 3.2: RESULTS MONITORING FRAMEWORK – GRENADA COUNTRY STRATEGY PAPER 2014-18**

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
<b>PILLAR 1: PROMOTING BROAD-BASED ECONOMIC GROWTH AND INCLUSIVE SOCIAL DEVELOPMENT</b>					
<i>Objective 1: Improve Fiscal Sustainability</i>					
Achieve Fiscal Stability to Support Economic Growth and Development	Weak planning framework.  Narrow tax base.  Unsustainable fiscal position resulting from low tax effort and high expenditure levels.  High fiscal vulnerability to external shocks.	Sustainable fiscal position.	Increase in primary surplus as a percentage of GDP.  <i>Baseline:</i> -2.8% (2013) <i>Target:</i> 3.7% (2018)	PBO	<b>Risk:</b> Policy reversal.  <b>Mitigation:</b> Support by development partners.
Enhanced EE	High energy costs. High energy dependence.	Improved EE Sustained reduction in energy spending on public buildings and targeted MSMEs.	Energy savings (kWh) by MSMEs and public sector buildings financed with CDB resources. <i>Baseline:</i> <i>Target:</i>	EE and RE Development Investment Projects	
Enhancing Sustainability by Increasing Resilience to Climate Change	Threat of reduced water availability among communities and farmers.  Absence of policy framework for land use management.  Inadequate solid waste disposal infrastructure.	Increased resilience of farmers and communities to climate change risks.  Enhanced Framework for Spatial Development.  Improved environmental sustainability.	Percentage of farmers using water efficient technology in target areas. <i>Baseline:</i> 0 (2014) <i>Target:</i> 100 (2018)  Number of households with improved access to water supply in target areas. <i>Baseline:</i> 0 (2014) <i>Target:</i> 1,430 (2018)	Water Adaptation Project.  TA – Land Use Policy.  Perseverance Landfill Project.	<b>Risk:</b> Monitoring not undertaken.

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Interventions	Risks and Mitigation Measures																		
Enhancing Sustainability by Increasing Resilience to Climate Change <i>Cont'd</i>			<p>Volume of waste disposed at rehabilitated landfill. <i>Baseline:</i> 40,000 cubic meters (2014) <i>Target:</i></p> <p>Amount of leachate treated at waste disposal site. <i>Baseline:</i> 0 (2014) <i>Target:</i> 100% (2018)</p>																				
<b>Objective 2: Boost Growth and Job Creation</b>																							
Upgrading and Enhancing the Education System	<p>Weak instructional quality.</p> <p>Absence of key policies for student support and sector development.</p> <p>Mismatch between education and training and the needs of the economy.</p> <p>Inadequate capacity for leadership of the system.</p> <p>Poor quality of school infrastructure.</p>	Increased access to high quality education and training.	<p>Percentage increase in number of teachers professionally trained, by sex.</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Baseline (2014)</th> <th>Target (2024)</th> </tr> </thead> <tbody> <tr> <td>Primary</td> <td>55</td> <td>80</td> </tr> <tr> <td>Secondary</td> <td>38</td> <td>68</td> </tr> </tbody> </table> <p>No. of new sector policies implemented. <i>Baseline:</i> 0 (2014) <i>Target:</i> 4 (2018)</p> <p>Percentage increase in students writing TVET examinations at Caribbean Secondary Education Certificate, by sex.</p> <table border="1"> <thead> <tr> <th>Sex</th> <th>Baseline (2014)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>55</td> <td>75</td> </tr> <tr> <td>Female</td> <td>52</td> <td>72</td> </tr> </tbody> </table>	Level	Baseline (2014)	Target (2024)	Primary	55	80	Secondary	38	68	Sex	Baseline (2014)	Target (2020)	Male	55	75	Female	52	72	<p>Teacher training and professional development.</p> <p>Curriculum review and revision.</p> <p>Policy development for and establishment of student support services.</p> <p>Policy development for sector improvement.</p> <p>Strengthening of the NTA.</p> <p>Infrastructural development.</p> <p>Capacity building and institutional strengthening for school and system leadership.</p>	<p><b>Risk:</b> Natural hazards events may destroy infrastructure.</p> <p><b>Mitigation:</b> Improving resilience by rebuilding damaged infrastructure to better-than-pre-event standards</p> <p><b>Risk:</b> Limited institutional capacity.</p> <p><b>Mitigation:</b> Provision of the training and capacity building to strengthen capacity.</p> <p><b>Risk:</b> Limited financial support for NTA.</p> <p><b>Mitigation:</b> Establishment of an Enterprise Training Fund which provides for the sustainability of the NTA.</p>
Level	Baseline (2014)	Target (2024)																					
Primary	55	80																					
Secondary	38	68																					
Sex	Baseline (2014)	Target (2020)																					
Male	55	75																					
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Country Development Goals	Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
Upgrading and Enhancing the Education System <i>Cont'd</i>			<p>Percentage increase in students achieving 50% or more in CPEA. <i>Baseline:</i> 78% (2013) <i>Target:</i> 88% (2020)</p> <p>Percentage increase in national mean in CPEA. <i>Baseline:</i> Maths 56.5% English 58.9% (2013) <i>Target:</i> Maths 66.5% English 70.9% (2020)</p>		
Support for Private Sector Development	<p>Restricted access to credit.</p> <p>High energy costs.</p> <p>Inadequately trained labour force.</p> <p>Inadequate business support services.</p>	<p>Improved access to credit, by SMEs for directly productive activities and services.</p> <p>Greater deployment of energy efficient solutions amongst MSMEs.</p>	<p><i>No. of SMEs accessing credit</i> <i>Baseline:</i> 89 (2013) <i>Target:</i> 134 (2018)</p> <p>Projects funded under RE/EE MSME pilot. <i>Baseline:</i> 0 (2014) <i>Target:</i> 5 (2018)</p>	Line of credit to GDB.	<p><b>Risk:</b> Ineffective management of SME credit facility.</p> <p><b>Mitigation:</b> Enhanced supervision of GDB by CDB staff.</p>
Enhanced Social Development and Poverty Reduction	<p>Limited institutional capacity.</p> <p>Insufficient human resource capacity.</p>	<p>Poverty reduction.</p> <p>Increased employment.</p> <p>Greater social cohesion.</p>	<p>Percentage below poverty line. <i>Baseline:</i> 37.7 (2008) <i>Target:</i> 32.0 (2018)</p>	<p>Support in conducting CPA.</p> <p>Support in implementing projects to enhance gender-mainstreaming, gender-sensitisation and gender-based violence.</p>	<p><b>Risk:</b> Limited institutional capacity</p> <p><b>Mitigation:</b> Provision of training to strengthen capacity.</p>
Enhanced Social Development and Poverty Reduction <i>Cont'd</i>			<p>Percentage reduction in number of SEED programme beneficiaries (by sex), by 2018.</p>	<p>Capacity building for development of assessment framework and tools for identifying youth- at-risk of offending</p>	<p><b>Risk:</b> Reduction in budgetary allocation/counterpart funding to support project implementation.</p>

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
			<p><i>Baseline:</i> 3,200 (2014) <i>Target:</i> 2,880 (2018)</p> <p>20% decrease in victims of gender-based violence (by sex) by 2018. <i>Baseline:</i> 103 (102 females, 1 male) 2014 <i>Target:</i> 82(81 females, 0 male) 2018</p>	(Screening Tool), and tools for assessing the risk of youth offending (Risk Assessment Tool).	<b>Mitigation:</b> Strengthening development partnerships to support project implementation.
Enhanced Human Resources Development	Inadequate access to tertiary education financing	Enhanced access to tertiary	<p>No. of students accessing post-secondary and tertiary education programmes that utilise student loan financing. <i>Baseline:</i> 245 (2014) <i>Target:</i> 412 (2018)</p>	Line of credit to GDB.	

## Coordination of Diverse Actors and Other Development Partners

3.06 GOCR is receiving considerable assistance from other development partners to facilitate implementation of its development plan. The activities being undertaken by the various partners are shown in Table 3.3.

**TABLE 3.3: GRENADA DEVELOPMENT PARTNERS' ACTIVITIES**

Strategic Area	Specific Intervention	Donor Support
Infrastructure	Roads and Bridges.	Kuwait/Organisation of Petroleum Exporting Countries/OPEC Fund for International Development (OFID); World Bank; CDB
Agriculture	Market Access and Rural Enterprise Development.  Commercialisation of public entities.  Agriculture and Agribusiness Development (Capacity Development).	CDB; International Fund for Agricultural Development  Inter-American Development Bank  European Union (EU)
Energy	Energy Regulation. Enhancing EE.	WB; Federal Ministry for Economic Cooperation and Development (BMZ) / Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ) CDB; China; CARICOM Development Fund; International Renewable Energy Agency (IRENA)
Health	Improving the Policy Framework; Implementing the Primary Health Care System; Improving Health Information Management System.	EU; PAHO; St. George's University
Education	Capacity Building.  Educational Policy. Curriculum Reform. Infrastructural Development.	CDB; WB; Organisation of American States (OAS); United Nations Children Fund (UNICEF) CDB; WB CDB; EU CDB; OFID; WB; EU
Social Development	Social Safety Nets/Social Protection Reforms  Gender Policy (GEPEP); CGA	WB, UNICEF, UN Women, FAO, CDB, Department of Foreign Affairs, Trade and Development (Canada), Government of Colombia  UN Women; CDB
Private Sector Development	Improving the Business Climate.  Sustainable Energy Financing.	Inter-American Development Bank (IDB); International Finance Corporation (IFC)  CDB
Institutional Strengthening	Fiscal Reforms (Revenue and Expenditure)  Financial Sector Reforms  Budget Support.	Caribbean Regional Technical Assistance Centre (CARTAC),  CARTAC; WB EU; IMF; CDB; WB
Environment, Climate Change and DRM	DRR.  Climate Change Resilience	CDB; IDB  BMZ/GIZ; UNDP; WB; Pilot Programme for Climate Resilience



### **Implementation Plan and Responsibilities**

3.07 Implementation of the Strategy within CDB will be defined by an operational framework that allocates specific roles and responsibilities at various levels and at different stages of the project cycle. While the relevant line ministries/agencies will have responsibility for the management of specific projects, the Ministry of Finance will retain overall responsibility for in-country management, reporting and interfacing with CDB – particularly with respect to requests for disbursements and the provision of TA. CDB will work closely with country officials to promote and improve stakeholder dialogue and collaboration with a view to fostering collective responsibility for the achievement of results. CDB will seek to optimise its development impact by developing joint M&E mechanisms with other development partners, this is expected to significantly reduce the reporting requirements of GOCR. The delivery of TA to support programme implementation will be accorded the highest priority and timely project preparation and appraisal projects will help to ensure the realisation of the Strategy's expected sector outcomes.

#### 4. RISK ASSESSMENT AND MITIGATION

4.01 Several risks have been identified which could affect strategy implementation and outcomes. These risks are all classified as operational, covering areas such as: (i) macroeconomic shocks; (ii) climate/weather-related shocks; and (iii) implementation capacity risks. These risks and associated mitigation measures are outlined in Table 4.1.

**TABLE 4.1: COUNTRY STRATEGY PAPER IMPLEMENTATION RISKS AND MITIGATION MEASURES**

<b>Risk Type</b>	<b>Description of Risk</b>	<b>Risk Classification</b>	<b>Mitigation Measures</b>
Operational	<i>Macroeconomic:</i> Grenada is highly vulnerable to external economic shocks, as evidenced by the sudden-stop in FDI since 2010 and the subsequent feed-through adverse effects of the global financial crisis to the regional market.	Low	The design of the Country Strategy in close consultation with several other development partners is intended to minimise this risk.
Operational	<i>Climate/Weather related.</i> The country's development efforts have suffered severe setbacks from damage and loss associated with natural disasters, particularly hurricanes, over the past two decades. The fiscal costs required for rehabilitation were significant and the loss of agricultural production adversely affected export earnings while aggravating rural poverty.	Moderate	Policy measures to further mitigate this risk include Grenada's participation in the Caribbean Catastrophe Risk Insurance Facility, as well as ongoing efforts to mainstream DRR.
Operational	<i>Implementation capacity constraints.</i> The lack of a well-defined national planning framework, coupled with human and institutional capacity constraints has hitherto retarded the pace of project execution.	Moderate	CDB will continuously assess needs and help to build capacity of in-country teams as necessary in order to accelerate project implementation towards the achievement of the Strategy's expected outcomes. Additionally, support from other development partners, coupled with that of consultants and experts will help strengthen human and institutional capacities to implement the programmes and projects that are integral to the attainment of the country's development objectives.

**GENDER MARKER**

<b>CRITERIA</b>	<b>SCORE</b>	<b>DESCRIPTION/CODE</b>
Analysis	1	CSP informed by previous gender analysis (Country Gender Assessment, 2014), and incorporated into the analysis.
Data	1	Sex-disaggregated data available in the CGA and used to inform the strategic fit of the CSP to support achievement of country's development objectives. Data will inform indicators and targets.
Engagement	0.5	Consultations with gender relevant stakeholders undertaken during preparation.
Response	1	Gender responsive outcomes, outputs and indicators included.
<b>TOTAL</b>	<b>3.5</b>	<b>Code: GM</b>

**COUNTRY STRATEGY PAPER (2009-11) IMPLEMENTATION PERFORMANCE**

1. The global financial crisis had a more debilitating impact on the Grenadian economy than was anticipated, seriously undermining the fiscal situation which led to significant delays of a number of projects/activities identified within the pipeline of the CSP. Partly because of this, therefore, the development impact of those projects that were implemented would have been less than initially anticipated. One PBO, three capital projects and seven technical assistance interventions were proposed within the CSP. Two of the capital projects, along with the PBO, were approved within the CSP period, but the implementation of these has been mixed.

2. The Project Performance Index<sup>i/</sup> (PPI), a numerical value combining performance and quality, stood at 5.7 for Grenada just prior to the CSP period (2008) and increased to be on par with the total CDB portfolio in 2010 (6.1) despite a worsening macroeconomic environment. By the end of 2011, the Grenada PPI fell in tandem with that of the CDB portfolio. Table 1 shows the PPI movement for Grenada and CDB over the review period.

**TABLE 1: PROJECT PERFORMANCE INDEX 2008-2011**

Country	2008		2009 <sup>ii/</sup>		2010		2011	
	No. of projects	PPI	No. of projects	PPI	No. of projects	PPI	No. of projects	PPI
Grenada	10	5.7	13	N/A	12	6.1	11	5.8
<b>All BMCs</b>	<b>87</b>	<b>6.0</b>	<b>96</b>	<b>6.1</b>	<b>96</b>	<b>6.1</b>	<b>87</b>	<b>5.9</b>

3. A closer examination of the projects within the portfolio helps to shed some light on the convergence of the country performance index with that of the Bank’s portfolio. Resources allocated to the PBO, comprising 49.2% of the total programmed, were rapidly disbursed as GOCR sought to fill a financing gap brought on by financial sector turbulence within the ECCU in the aftermath of the collapse of CL Financial Holdings and the Stanford Group. Since the PBO resources were to support GOCR’s wider reform programme, implementation of the associated activities generally kept pace with expectations.

4. While the PBO generally performed well in terms of expectations, one of the other significant capital projects that fell within the indicative lending programme (Schools Rehabilitation and Reconstruction Project II) did not perform as planned during the CSP period primarily because of insufficient counterpart financing. Likewise, the St. Patrick’s Bridge and Road Improvement Project–Phase I, stalled because of slow initial design work linked to a dire fiscal position. Nonetheless, Grenada’s overall portfolio performance benefited from continuing work on a number of previously approved projects which were still under implementation during the CSP period.

5. Anecdotal evidence suggests that several intangible factors further contributed to the relative high PPI for Grenada. Country ownership of the reform programme, driven in large measure by the support of

<sup>i/</sup> The Portfolio Performance Index (PPI) measures the performance and quality of CDBs portfolio and is computed using the Composite Performance Score (CPS) derived from the application of the Project Performance Evaluation System. The CPS, in turn, is calculated on the basis of six core project criteria: strategic relevance, poverty relevance, efficacy, cost efficiency, institutional development impact and sustainability. Hence, the PPI assesses project performance by focusing on criteria in three critical areas *viz.* implementation, CDB and Borrower performance.

<sup>ii/</sup> The 2009 ARPP did not analyse PPIs by BMC due to the (small) sample size of 85 PSRs. The missing PSRs would have introduced bias in the results for the BMCs.

other multilateral partners, was one such important factor. The country was undertaking a vigorous rebuilding programme in the aftermath of a devastating hurricane (Ivan 2004) and was providing matching investments to support relatively large inflows of foreign direct investment. Stakeholder involvement was therefore quite involved over the review period which was instrumental in maintaining high project cycle activity. The summary achievement of outcomes is shown at Table 2.

**TABLE 2: SUMMARY OF COUNTRY STRATEGY AND PROGRESS  
TOWARDS ACHIEVEMENT OF OUTCOMES**

<b>CSP Results Areas</b>	<b>Expected Outcomes</b>	<b>Performance Indicators</b>	<b>Status of Development Results</b>	<b>Issues Impacting Results</b>
Fiscal stability through consolidation and enhanced macroeconomic management systems	Improved efficiency of revenue systems through strengthened tax administration and tax policy reform	<ul style="list-style-type: none"> <li>• Expanded revenue base.</li> <li>• Increased Tax/GDP ratio.</li> <li>• VAT and excise legislation enacted.</li> <li>• VAT implemented.</li> <li>• New Property Tax legislation Enacted.</li> </ul>	<ul style="list-style-type: none"> <li>√ The Tax Revenue/GDP ratio moved from 18.1% in 2009 to 18.4% in 2010, but reverted to 18.1% in 2011.</li> <li>√ VAT and excise legislation were enacted on September 4, 2009.</li> <li>√ VAT was implemented on February 1, 2010.</li> <li>✗ New property tax legislation has not been enacted.</li> </ul>	Programme outcomes were adversely impacted by external factors that affected revenue during the period. The situation was aggravated by significant discretionary tax exemptions. There were some forced expenditure reductions.
	Strengthened management of public resources	<ul style="list-style-type: none"> <li>• Medium Term Economic Strategy Paper (MTESP) for 2010-12 prepared.</li> <li>• Debt Strategy formulated.</li> <li>• Outstanding stock of arrears (over 60 days) reduced.</li> <li>• Improved capacity to analyse and forecast fiscal variables.</li> <li>• Reduction in budget variances.</li> <li>• Special warrants kept at 10% of approved budgeted estimates – \$67.5 mn in 2009.</li> <li>• Maintained or increased share of social spending in CG expenditure relative to 2009 budget.</li> <li>• Improved PEFA scores.</li> </ul>	<ul style="list-style-type: none"> <li>√ MTESP completed as planned.</li> <li>√ Debt Strategy adopted by Cabinet in February, 2010.</li> <li>✗ Arrears over 60 days climbed from \$22.5 mn (2009) to \$32.1 mn (2011).</li> <li>√ Capacity enhancement training undertaken by CARTAC.</li> <li>? Social spending share of recurrent expenditure was 3.5, 3.5, 1.9 and 1.4% in 2009 through 2012, respectively.</li> <li>√ No new PEFA assessment undertaken.</li> </ul>	Some policy actions completed as planned. Reduced fiscal space prevented GOCR from making timely payments for goods and services and this adversely impacted the domestic economic environment as government is the largest buyer in the market. Improved targeting and program consolidation mostly accounted for the reduction seen in social spending over the period.
Enabling business environment to promote competitiveness, increased investment and employment, particularly in rural development	Improved road access for rural development	<ul style="list-style-type: none"> <li>• Lengths of road opened.</li> <li>• Reduced travel time.</li> <li>• Reduction in vehicular operating and maintenance costs. (Baseline to be determined during project formulation).</li> </ul>	✗ St Patrick's Bridge and Road Improvement Project significantly delayed so other objectives not met.	Lack of counterpart financing stalled these activities. Stronger focus on economic stability compromised growth-enhancing investments.
	Improved agriculture output and rural-based incomes	<ul style="list-style-type: none"> <li>• Number of new/expanded rural enterprises.</li> <li>• Higher loan disbursements.</li> </ul>	✗ Results delayed beyond CSP period.	Project start significantly delayed through trying to reach agreement with joint funding partner.

CSP Results Areas	Expected Outcomes	Performance Indicators	Status of Development Results	Issues Impacting Results
Enhanced education outcomes and reduced social vulnerability	Enhanced learning environment and improved quality of basic education services	<ul style="list-style-type: none"> <li>• Percentage increase in students accessing TVET training.</li> <li>• Percentage increase in TVET entries at CSEC (Baseline 13%).</li> <li>• Improved education facilities. Percentage of schools restored to Pre-Ivan condition (Baseline 45%).</li> <li>• Reduction in repetition rates (Baseline 6%).</li> <li>• Larger cohort of teachers and principals trained and utilising student-centred pedagogy.</li> <li>• Percentage of teachers trained utilising student centred pedagogy (Baseline – To be determined at project formulation).</li> <li>• Increase in pass rates in CSEC examinations and at the TVET Level 1 Proficiency Examination.</li> </ul>	X Results delayed beyond CSP period.	Project activity significantly delayed
	Improved quality and coverage of basic economic and social infrastructure in deprived communities		(BNTF programme).	
	Improved social policy framework in place	<ul style="list-style-type: none"> <li>• PRS and Action Plan (targeting system) in place and adopted.</li> </ul>	√ Growth and Poverty Reduction Strategy completed	
Enhanced spatial development and reduced vulnerabilities	Strengthened land use management	<ul style="list-style-type: none"> <li>• National land use policy formulated and Physical Planning Act revised.</li> </ul>	X Not achieved.	
	Climate change related risks reduced	<ul style="list-style-type: none"> <li>• Climate change policy and action plan formally adopted and implemented.</li> </ul>	X Not achieved.	
	Improved environmental sustainability	<ul style="list-style-type: none"> <li>• Environmental quality parameters at the Perseverance Landfill (PL). (Baseline data being determined).</li> </ul>	√ PL Project completed as planned.	While implementation of PL project contributed to the expected outcome, the landfill has since reached the end of its useful life.





FIGURE 1: MAP OF GRENADA

